

Commission on State Debt Meeting Minutes
Olympia, Washington
October 6, 2011
1:00 pm

The Commission on State Debt met after notice duly given to the public.

Present:

James McIntire, State Treasurer, Chair
Rep. Hans Dunshee, State Representative
Sen. Derek Kilmer, State Senator
Dr. Kathleen A. Ross, snjm, President Emeritus, Heritage University, Toppenish
Kriss Sjoblom, Vice President–Research and Economist, Washington Research Council
Ruta Fanning, Former Legislative Auditor and Director, Joint Legislative Audit & Review Committee
Tim Kerr, Former Deputy State Treasurer for Debt Management
Sen. Linda Evans Parlette, State Senator (by phone)
Jim Shoemake, Independent Appointed by the Treasurer (by phone)
Rep. Judy Warnick, State Representative
Marty Brown, Director, Office of Financial Management
Jeff Johnson, President, Washington State Federation of State Employees

Also Present:

Edward Redmond, WA State Senate
Becca Kenna-Schenk, WA State Senate
Lorrie Brown, Office of Financial Management
Jerry Long, WA State House of Representatives
Debra Gurtler, WA State House of Representatives
Wolf Opitz, Office of the State Treasurer
Dan Mason, Office of the State Treasurer
Chris McGann, Office of the State Treasurer
Svein Braseth, Office of the State Treasurer
Nona Snell, Office of the State Treasurer
Brian Sims, Washington State Senate
Susan Howson, Washington State House of Representatives
Sandi Triggs, Office of Financial Management
Rick Slunaker, Association of General Contractors
Jim Hebert, Hebert Research
Mike Deller, Trust for Public Lands
Bill Riley, WA Association of Realtors
Marci Stokke, Rocky Mountain Elk Foundation
Christine Thomas, Office of the Superintendent of Public Instruction
Steve Lindstrom, Merlin Advocates
Jason Millet, Hebert Research

Chair Jim McIntire, State Treasurer called the meeting to order at 1 pm on October 6, 2011.

Chair McIntire asked if there were any changes or additions to the agenda.

State Representative Hans Dunshee asked that staff produce a chart showing the relationship between increases in state general fund revenue compared to debt service.

Treasurer McIntire introduced the overview of the various purpose and transportation capital budgets. Sandy Triggs of the Office of Financial Management provided an outline of the various purpose capital budgeting process. Susan Howson of the House of Representatives described the composition of the various purpose and transportation capital budgets. Senator Linda Evans Parlette asked for clarification about changes to the statutory debt limit. Dr. Kathleen Ross asked for staff to evaluate the portion of capital projects that are supported by student fees. Marty Brown asked staff to break down how much of the capital budget was dedicated towards infrastructure and how much was for real estate. State Representative Judy Warnick requested the number of total acreage under ownership by the state. Representative Warnick also asked for a proportion of capital funds still dedicated towards maintenance. Chair McIntire asked for clarification concerning the significant increase in the 2007-2009 biennial capital appropriations.

Mark Mattson of the House of Representatives and David Ward of the Senate provided an outline of the transportation capital budget including a history of transportation project funding. Chair McIntire reminded the committee that the state took advantage of the federal Build America Bonds program which impacted the schedule for transportation borrowing. Tim Kerr asked whether the numbers provided by staff included mega projects such as replacements of both the Alaska Way Viaduct and the 520 bridge. Mr. Mattson explained that portions of both projects were included in the charts. Mr. Kerr asked for clarification regarding the expectation of future level debt service on the transportation bonds. Kriss Sjoblom asked for clarification regarding the differences between transportation revenues sources and transportation debt payments. Mr. Mattson explained that some of the transportation revenues were used as cash payments for projects.

Nona Snell of the Office of the State Treasurer provided an overview of debt service. Representative Dunshee requested that staff provide materials to the commission that breaks down combined capital and operating expenses by subject. Mr. Kerr asked staff to research states with universities that have independent capital budgeting authority.

Brian Sims of the Senate compared general fund reductions to debt service payments. Representative Dunshee asked staff to produce a chart that compared the volatility in state revenue to the 3 year smoothing average used for the statutory debt limit. Senator Parlette asked when the legislature began to ignore the statutory debt limit and adhere to the constitutional debt limit. Mr. Sims answered that it was in the 2003-2005 biennium.

Mark Baldwin of the Office of Financial Management provided an overview of the input/output model as it relates to the economic impact of debt financing. Representative Warnick requested clarification as to how the increase in the minimum wage impacts job creation in the food and beverage industry. Arun Raha, Executive Director of the Economic and Revenue Forecast Council explained how the input/output model is used by his office to create forecasts. Senator Parlette asked what sort of tools could be implemented by the legislature in order to develop counter-cyclical capital investing other than developing two separate debt limits. Dr. Raha said that he was unaware of any resources. Representative Dunshee suggested that the legislature could transfer cash as it does for the budget stabilization account into an account dedicated towards debt service. Chair McIntire asked what more could be done with debt management to foster job growth. Dr. Raha explained that debt management was not a great tool for job growth but rather for infrastructure development.

The Commission took a 15 minute break.

Mr. Sims continued his overview of general fund reductions compared to debt service payments. Dr. Ross requested information about changes in state employment and population over the most recent decade. Representative Dunshee requested information about the change in the number of state employees per capita as well as movement in FTEs paid through the capital budget from the operating budget.

Chair McIntire opened up the floor to public comment.

Chair McIntire adjourned the meeting at 4:45 pm.